

LOCAL ORGANIZATIONS IN DEVELOPMENT: BACKGROUND STUDY

INTERVIEW ANALYSIS REPORT

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Annex A - List of Organizations and People Interviewed

Introduction

In conjunction with a Literature Review of the role of local organizations in development commissioned by USAID under an IQC task order with Creative Associates International, Inc. (CAII), this report summarizes views of selected people within USAID and other partners. A list of those interviewed is attached as Annex A. In addition to USAID, the list includes the World Bank, the Inter-American Development Bank, Pact, InterAction and one implementing partner, Catholic Relief Services. It was not possible to interview all the prospective individuals; nevertheless a rich sampling was obtained. This report on views of selected people interviewed provides supplementary information and perspectives on the importance of local organizations in development in the context of USAID's overall strategic goals.

1. Importance of Continued USAID Support to Local Organizations in Development

People interviewed unanimously agreed that USAID policy should continue to strongly supporting local organizations (LOs) in development. Those interviewed from the USAID regional geographic bureaus were especially supportive. All acknowledged that civil society is one of the pillars of USAID strategy, and local organizations are the basic building block of civil society. Therefore, a policy of support is both logical and necessary.

2. Budget Allocations and Earmarking More Important than Policy

Some expressed in strong terms that program choices were functions not so much of development policy but of the budget allocation and the earmarking processes which drive most programming decisions. Interviewees from the regional bureaus were less concerned with categories and definitions of local organizations than those from support or technical bureaus, who raised more definitional questions, stating that one cannot define policy without first defining what LOs are or are not. For purposes of consistency during the interviews, "local organization in development" is defined as any *sub-national* organization, be it public (local government and local administration), private (for-profit and non-profit) that aims at identifying and solving problems and providing services.

3. Impact of the Existing Policy and Indications for Future Policy

Of the 28 USAID officers interviewed, most indicated that they were either unaware of the contents of, or have not had to rely upon, the details of the 1984 policy paper. However, they also expressed the view that it was beneficial to have a policy in place as much to demonstrate the Agency's position to other donors and host governments as well as to offer to implementing partners as guidelines. All agreed that support to local organizations was an important component of the overall USAID policy framework for sustainable development.

Specific observations by bureau or office are provided below, but the general comments were:

- Local organizations are generally conceded to be worthy ends in themselves, but opinions vary as to the degree of emphasis to give them. Some believe USAID support should be linked to national-level issues. Others believe that empowerment at the grassroots is sufficient justification for LO support.
- USAID policy is contradictory: It “talks” participation and empowerment down to the grassroots, community level, and encourages active involvement of the population to make development programs meaningful and responsive to the problems identified by them. However, the structure of USAID’s Strategic Objective (SO) framework approach is to impose its own development agenda from the top, contradicting the participatory emphasis. The reality is that operating units are unable to adjust their SOs to meet the needs of the local organizations. To accommodate this quandary, in some cases, USAID identifies a qualified local organization with which to work, whose area of expertise is not directly related to the SO, but it will fit the LO into its SO program anyway. The results may be harmful and in the end, not beneficial to the local organization.
- Operating units need to engage in more routine dialogue with civil society organizations (CSOs) to reach agreement on the priorities for collaboration.
- USAID officers have different understandings about the Agency’s requirements for registration. PVC says that an NGO’s not being registered with PVC is no longer an automatic block to receiving USAID assistance. However, procurement officers usually apply rigid accounting criteria beyond that required by policy. This misunderstanding needs clarification.

DCHA/PVC, which is the central point of contact within the Agency for U.S. PVOs/NGOs, has commissioned a “new directions” paper in draft (not yet available for review) which places greater emphasis on local organizations in development. PVC encourages U.S. PVOs to work with local PVOs, and to strengthen local PVOs at the “sub-goal level.” However, PVC does not believe that the Agency has clear policy guidelines on NGOs. The Agency’s lack of a coherent policy is an impediment to clear communication on the roles of NGOs in USAID assistance programming *as policy*. Since USAID grantees at the operating unit level are not required to be registered with PVC,¹ the scope for working with host-country NGOs, including LOs, is broad. PVC’s support for capacity building of U.S. PVOs through matching grants is not long-term because such grants include a “graduation” requirement.

¹ PVC still maintains a registration requirement for its matching grants with PVC, but this applies only to U.S. PVOs.

The PVC interviewees also expressed concern about how the Agency has failed to take advantage of its policy of support to LOs, for example, to assess lessons learned in the area of local organizations' service delivery, in terms of which kinds of support work and which ones do not. (This is, however, more of an operational than policy issue.) Moreover, training needs a broader vision. Institution building often has no defined end-point; for example, the question, "Institution-building seeks to achieve what end?" is often left unanswered.

ANE: The two ANE officers interviewed said that, while they were not specifically aware of the content of the existing policy on local organizations, the ANE Bureau has many programs in non-presence countries in the absence of official bilateral agreements. Most of these programs are managed by U.S. or international NGOs, working with national and sub-national NGOs through sub-grants. For example, in Pakistan, The Asia Foundation (TAF) works with 50 local NGOs to improve girls' education; USAID has a grant to the International Organization for Migration (IOM) to work with national and local organizations to stem drug-trafficking programs in East Asia; and another grantee is working with national and local organizations in China to promote civil liberties.

ANE is looking to the Global Development Alliance (GDA) for help in seeking endowments and foundations to provide financial support to national NGOs and LOs because the U.S. PVOs do not have the capacity to work with all of the LOs, especially those that lack necessary resources to function properly.

AFR/SD: The importance of USAID support to decentralization and to civil society implicitly means support to local development and local organizations. Central governments have not generally been supportive of local government (LG) and are reluctant to engage in real transfer of power to lower levels. They still regard LGs and LOs with suspicion and as rivals. The result is generalized failure to embark on meaningful decentralization, such as following up decrees with budget transfers to LGs and providing capacity building. *But this is precisely where USAID policies can make a big difference*, by providing assistance to both the center and to LGs in developing the capacity and putting in the budget allocation mechanisms that will make decentralization real.

AFR/DP: Africa Bureau policy is to use LOs as much as possible in order to create a vibrant civil society capable of defining its members' own development objectives. One participant observed that USAID officers, especially technical experts, tend to concentrate too much on the "center" (i.e., the national government) to the exclusion of civil society and LOs. However, this policy has invited criticism from U.S. PVOs that USAID has sometimes excluded them from procurement opportunities. For example, NGO support under the Greater Horn of Africa Initiative was restricted to African PVOs (though the management of this grant is through Pact). Moreover, USAID support to LOs (as well as to national NGOs) often imposes our own values and "business" on them rather than supporting their own self-defined activities. ("We should support *their* agenda,

not ours,” Sharon Pauling said.) This requires more effort within operating units, with support from USAID headquarters, to engage in more regular and consistent dialogue with Africans on definition of priorities in order to seek convergence in some priority areas. It is not necessary to achieve total convergence, but at least to find some common ground among the array of priorities USAID and the LOs discuss.

Among other guidelines AFR/DP would like to see emphasized: funding mechanisms that remove the “middleman” and seek to directly provide resources to the target LOs. They would also like to see careful assessments conducted of the target environment chosen to avoid choosing beneficiaries that serve only one group or class of society (i.e., emphasize equitable development).

The policy should, therefore, be to: 1) strengthen CSOs; and 2) work with those whose priorities are consistent with USAID’s. Among the ways to enhance USAID support to civil society through LOs: create regional mechanisms for operating units to tap into in order to build capacity of those NGOs and LOs as appropriate to operating units’ strategies. Operating units should “make room” for CSOs to participate in the development of operating units’ strategies. It requires extra effort to accomplish this, but it is the only way to ensure LO involvement. “Resources and consultation should be the two principles operating units employ with respect to including civil society in their programs from the beginning of strategy development.”

E&E: The E&E Bureau is interested in using local organizations as part of a national network of NGOs to support democratic institutions and civil society. The interviewees do not feel that LOs should have a policy to themselves in isolation from that of national NGOs. Glenn Slocum (team leader for this Task Order study) explained that the focus of this background study is on local organizations only, and there are already lots of policies about USAID support to national governments and other national-level institutions and organizations. The E&E Bureau D/G strategy is to work with intermediary organizations, normally U.S. PVOs, to build capacity of local NGOs and to provide them training in what they should expect from the government, including local government (i.e., exposing LOs to the roles of the various parties in development, including government). A number of country programs (Serbia and Montenegro were cited) focus on working simultaneously with both LOs and LGs to get them to learn how to work together and identify and solve problems jointly. The LOs can be informal groups, neighborhood organizations, PTAs, agricultural cooperatives and business groups, among others. In the E&E countries, provision of technical assistance from USAID is complemented by financial support from private foundations, such as NED and Soros.

DCHA/DG: The interviewees said that the 1984 policy paper has had minimal impact in itself. Growth of programs in support of LOs has been “built on the back of” decentralization programs and on a deepening familiarity with how

society links with the state around local issues. Case studies from Bolivia, Ecuador, Mali and Indonesia demonstrate this. The DG representatives expressed concern that without a clear definition of what LOs are and are not, a discussion on appropriate policy is handicapped. They question how one can devise a rationale if the meaning of local organizations is not made clear. They said there needs to be a conceptual reason for identifying LOs. “Non-governmental organizations” is a negative term: it describes what something is *not*. This is not definitional. USAID is “very biased in its interventions with LOs: we tend to work with those that have a modernizing agenda as we see it, and that eliminates other kinds of LOs we could be working with.” Nevertheless, having USAID continue a policy of support to LOs in development is appropriate and important because “development at the local level happens in different ways from the way it does working at the national level.”

PPC/PDC: Operating units may or may not use policy statements to promote their strategies and to make LOs ends in their strategic development objectives. A few examples follow: In Mozambique, Pact had a PVO support project that was poorly designed but was “retooled” to provide more support to local agricultural associations. Another U.S. PVO (CLUSA) worked successfully with LOs but another did not. “A clearer policy articulation would have been useful to the Mission.” Perhaps the 1984 policy paper was not disseminated widely enough and made aware to operating units at that time. In Honduras, PVC gave a matching grant in the 1980s but the grantee had to be pushed to work with local PVOs. The policy helped the operating unit push the grantee in that direction.

Tim Mahoney: LOs should be a USAID policy end in themselves. Indonesia had a PVO matching program with local Indonesian PVOs in the 1980s that became the vanguard of civil society governance advocacy when the political opening allowed for growth of this sector a decade later. A later USAID/Indonesia project in local governance set the stage for meaningful decentralization. These examples show that having the right policies in place present important tools for operating units and partners to promote important development objectives.

SMGs²: They agree that support to local organizations is indispensable to USAID’s overall development objectives, but this group has a general consensus that policies were less important than *flexible* frameworks that allow operating units to elaborate strategies and design programs appropriate to the national and local context. The sense of their observations was that USAID needs to be prepared to choose specific areas amenable to local support and work across these areas in the way that makes the most sense against the wider framework of its strategic framework. Some of the interviewees also stated that strong LOs can provide help to better strengthen LG organizations.

² “SMGs” represents a brown-bag session at National Foreign Affairs Training Center (NFATC) in Arlington on March 26 with: Kim Finan, Jon O’Rourke, Carol Carpenter-Yaman, Peter Kimm, Ken Schofield and Cynthia Rozell (joined late by Lee Ann Ross and Linda Bernstein)

Training Resources Groups (TRG):³ USAID's "SO-driving" nature sometimes results in choosing NGOs and LOs to work with that may not be the most appropriate. They are chosen because they have proven competence in another area that may or not be directly related to the SO. Sometimes, such collaboration can overwhelm the LO to the point that its own mission and effectiveness are compromised. In other words, USAID assistance can be damaging to its sustainability.

InterAction: An articulated policy with respect to LOs is important because U.S. PVOs' experience as reflected in InterAction's regular consultations is that the "end user" is rarely involved or consulted. USAID's policy statement should more precisely focus on this participatory, grassroots context. InterAction's concept is *accountability*, meaning that what donors do to support community and other types of local organizations should be to render all stakeholders accountable to the "end users." "Accountability flows in many ways, but rarely to the end user." The existing structure does not make USAID truly accountable to stakeholders, and the policy should be changed to reflect this. If not, participation as a goal is not credible. InterAction's "Africa Liaison Program Initiative (ALPI) aims at routine consultations with stakeholders in Africa (in which USAID actively participates) to engage in dialogue on these issues to inform USAID's policy development.

4. New Emphasis on Local Development?

"Is this the right moment for USAID to place more emphasis on local organizational development? Why, and is the answer to the "why?" question strong enough that LO development should be a program priority (via policy) for USAID?"

This was a tough question for respondents to answer. Part of the problem is that the underlying premises of support to LOs are clearly important: greater equity in development program results, participatory approaches, empowering the grassroots population, and creating advocacy for governance, for example. Several interviewees did note that not all countries have an adequate policy framework, and this is a reason to provide more emphasis in operating unit programming to support LOs.

DCHA/PVC: It is the right moment to remove current impediments to achieve policy coherence. For example, current procurement regulations and RFAs preclude LOs from proposing to participate. The PCV A-111 guidance paper is meant to reduce risk. (The issue, then, becomes whether the procurement policy should change or whether it should be more explicit about USAID grants to U.S. PVOs' including capacity building to LOs.) Perhaps operating units should establish arrangements with local offices of international accounting firms to

³ Graeme Frelick of TRG has extensive experience working on capacity building with African NGOs, including local organizations.

provide technical assistance to LOs to get their accounting and financial management systems up to acceptable standards.

ANE: The higher number of non-presence countries in the Bureau's portfolio presents an array of financing challenges. A carefully articulated policy at this time could help the Agency work more aggressively through foundations, endowments, the GDA and the Development Credit Authority (DCA) to find suitable sources of long-term funding.

Another view was at variance with the foregoing observation: it is that "people don't read policies; they do what makes sense in the local context." Most sectoral allocation decisions are made to satisfy Congressional earmarking and constituent demands (e.g., for University contracts), not to carry out the most sensible strategy consistent with USAID's comparative advantage.

PPC: It is the right moment because more local governance programs are needed to address the clearly identified problems, to empower the grassroots. OTI's successes in support to LOs should be replicated by other bureaus. We need to link the budget-earmarking dilemma with policy choices.

Tim Mahoney: USAID programs should be a balance of enabling environment and local capacity building, but we cannot be *too* prescriptive. In some cases, enlightened central governance can be more beneficial to the population than "messy decentralization." It is meaningless to push policies that cannot be implemented because the funding does not exist to support it. Programs should not be hindered by budget earmarking – this is a fundamental structural problem.

Nonetheless, support to LOs is important because it balances the tendency of poor economies to concentrate resources in a small number of people by creating more (and smaller, more local) centers of power in these societies. The greatest argument for the timeliness of renewed emphasis on local organizations is the high poverty levels in the Third World (e.g., 65% in Honduras).

AFR/SD: This is the critical time to identify the bottlenecks and reasons for failure and help to directly address them. Examples of activities in West Africa follow. In Mali, the Government offered no training to new LOs so USAID is providing training very effectively through the establishment of rural enterprise associations that are learning democratic principles of organization and local fundraising. The success of this effort became apparent to the LGs who are now seeking to collaborate with the rural associations and enhance overall local capacity for addressing problems. These associations have engaged in such activities as building schools and mills, and even mosques, which have enhanced the quality of their communities. Moreover, the success of the rural associations has sent a signal to other donors and they are now replicating the model elsewhere in Mali.

Similar successes with empowering CBOs and CSOs in Ghana, Nigeria and Senegal have created synergies with other organizations, including private sector groups. What has to happen now is a more extensive and rapid implementation and application of these initiatives. In other countries, national movements, for example, trade and labor unions, tend to form local cells which are part of a national or sub-national network that are quite powerful and cohesive.

USAID should also be looking at models of indigenous organizations that are sustainable and functioning on their own. One example is citizens' associations (*"associations des ressortissants"*) with links to their nationals working abroad who send remittances and other benefits back home. These are development models into which USAID and other donors have not yet tapped, and they are worth a study to see if such a model could be replicated elsewhere.

Finally, the time has come for USAID to insist much more on cross-cutting linkages within strategies that maximize impact on local organizations in development.

AFR/DP: The appropriate policies are in place but the Agency needs to provide more specific guidance to operating units. For example, operating unit programs of support to local organizational development should focus on building bridges between LOs and local government agencies. Even where operating units have strong civil society and NGO support programs in their strategy, much of the assistance goes to national-level CSOs and not enough to sub-national CSOs. Finally, more effort should go towards supporting and sustaining national LO networks.

SMGs: They do not want to see a blanket, prescriptive statement calling on operating units to pay more attention to LOs than in the past. Operating units and their backstopping Bureaus are in a position to know which policies are relevant and how to apply them. Policy papers are useful since they "house" the compilation of Agency wisdom in the form of documents; they can also be useful in pointing out policy areas to *avoid*.

DCHA/DG: In most countries, most of D/G's funding support is largely to civil society compared to the allocations for the other D/G areas: rule of law and administration of justice, governance and anti-corruption, and elections. Therefore, it is appropriate to re-emphasize local organizations as part of overall civil society programs at this time.

CRS (Catholic Relief Services):⁴ "Capacity building is a long-term process that should be driven by the local groups themselves. Capacity assessment and monitoring should be done by and for the organization and not on behalf of donors and service providers. This changes the perspective of monitoring and

⁴ CRS's contribution is from a March 6, 2002 e-mail from Meg Kinghorn, Senior Technical Advisor for Capacity Building and Civil Society.

even results as we currently know them. There is also a significant set of implications regarding the pace that is needed for capacity strengthening.

“It must follow the pace of the local organization, not the funding agency. Organizational capacity cannot be built in 2-3 years, despite promises made by applying service providers. Therefore, programs must have a long-term view (i.e., 10 years), broken down into manageable short-term segments to adapt to the reality of the USG budgeting cycle. Is USAID willing to slow down its agenda as a result? What is the target group of local organizations envisaged by USAID? Is it only big and relatively mature ones who can handle the big projects? Or is USAID going to structure itself to handle, manage smaller local NGOs?”

InterAction: The interviewers stated that USAID needs a new emphasis on LOs because “donors are moving away from training and capacity building.” Many LOs/NGOs complain that the kinds of training and capacity building USAID offers is not directly relevant to their own needs and priorities, but rather a function of the Strategic Objectives that USAID has typically developed in a relative vacuum, or at least without the extensive grassroots consultation that a truly participatory policy would dictate. In other words, donor programs are “donor-driven.”

Moreover, U.S. NGOs should move away from service-delivery roles they often play to direct funding of indigenous NGOs. Civil society should be engaged in the range of issues affecting its members and in such exercises as poverty reduction strategy papers (PRSPs). NGOs are engaged more in projects than in policy dialogue, and their voice is badly needed there. “It’s time for USAID to catch up with the power of the civil society movement.” And this commitment has to be long-term, not reflecting shifts in emphases that often come along every two or three years.

The interviewees stated that “NGOs are looking for fundable ideas, not necessarily to respond to what the local populations need or want.” A new USAID emphasis on local development should focus on the grassroots, community-based organizations that should be the real object of development, not what donors perceive the priorities to be.

5. Enabling Environment

“How to create a suitable enabling environment when the national government resists advocacy groups and USAID champions direct assistance to the local level (whether public or non-state sector). What are the sensitivities? How can they be most effectively dealt with? Can USAID policy be helpful?”

Most interviewees stressed that USAID policy should allow for flexibility of approach, the importance of being poised to work in those areas of greatest

opportunity. Ideally, one seeks a balance of working on the policy side to help obtain the appropriate environment for civil society to flourish, but in some cases the resistance is strong, and by default a strategy has to put more emphasis on the non-government side.

ANE: “We need to influence at the national level as well as have a direct impact at the grassroots level: talking at the national level and implementing at the local level.” (Jim Bednar, USAID/Morocco Mission director)

In India, the Government of India prohibits direct donor financial support to NGOs. The operating unit deals with this constraint by “creatively” working around the negative policy environment. In other countries, such as Nepal, over-emphasis on promoting advocacy NGOs has weakened the national government because it was not been able to respond to the citizens’ satisfaction, and popular confidence declined, thus giving more space to an internal insurrection which has further destabilized the Government of Nepal and made it less able to devote the resources required to achieve development objectives.

One of the interviewers observed that a recent PPC policy paper draft on decentralization did not adequately explain the distinction between “decentralization” and “devolution.” The former refers to the transfer and delegation of authorities downward from the center to sub-national government entities, whereas devolution is the allocation of budget resources from the center to local levels.

PPC: There are cases where host governments complain that either too much of the USAID program budget is going to NGOs to the detriment of the needs of the national government, while others object to the amount of funding going to U.S. PVOs. In such instances, the operating unit needs to engage in a continual dialogue about the nature of the program, explaining the reasons for their decisions. The result should be joint ownership of the USAID strategy.

AFR/SD: National governments need to be much more committed and supportive of LOs. Continuous dialogue with host governments (HGs) is important. The nature of centralized budgeting is to diminish the flow of necessary resources to the local level. Therefore, more dialogue by donors with the government is required in this regard. Restrictions on provision of USAID funding to LOs sends a very confusing signal as to the real policy. Such confusion and sensitivities at both the national and local level over USAID policies need to be discussed openly and in a spirit of collaboration and problem-solving. *This is an area requiring greater policy clarification.* To foster an appropriate enabling environment means achieving a policy balance between support to the center as well as to the local level. When a central government complains that too much of the USAID program budget is directed to NGOs and LOs instead of to the center, USAID should request from the central government an assessment detailing

proposed program plans, results and outcomes in return for increased USAID assistance.

AFR/DP: Decentralization programs are absolutely critical to promoting LOs. Even in repressive environments (e.g., Kenya and Zimbabwe), NGOs can make notable gains, such as women's organizations in Kenya. Even when the policy environment is completely negative (e.g., Zimbabwe), USAID should support efforts to expand the space for dialogue.

E&E: A supportive enabling environment is a critical area for E&E intervention. Experience is that it can take a long time to get the national governments to adopt the appropriate legislation. (It took ten years for Bulgaria to pass an NGO law.) There has been resistance also in Belarus and the Central Asian Republics. E&E has used a U.S. PVO, International Center for Not-for-profit Law (ICNL: www.icnl.org), to train local lawyers who are already beginning to have a notable impact in the private arena to create advocacy for legal reforms. Continued support to legislative and other enabling reforms remains an important area of intervention because of the historically heavy state influence in all aspects of citizens' lives and an unfriendly attitude towards NGOs. For example, many countries still do not allow NGOs to charge fees for social services nor let local government organizations collect taxes.

EGAT/MD (micro-finance): Policy reforms are essential to promote micro-finance, and it is costly. Typically it takes three to five years and about \$1 million to effect the legal changes which allow for sustainable micro-finance institutions (MFIs). MFI networks can work independently of the national government once the policies are in place. Typically the government establishes an autonomous national organization that sets standards and requires donors to adhere to them so the lending criteria are not confusing.

SMGs: In terms of the balance between aid to the center and to LOs, "it depends." The situation varies from country to country, but the interviewees generally believed that it is almost never an either/or situation. The state has a role to play and that must be supported and sustained. The issue often becomes one of how much of the operating unit's budget is going to NGOs. A frequent objection in some countries (Ethiopia, Mozambique and Eritrea were cited) is that too much of the USAID budget is going into the pockets of U.S. PVOs, not to the ultimate intended beneficiaries. The interviewees agreed that grants to U.S. PVOs do not necessarily flow down to LOs. In fact, one participant stated that U.S. PVOs have little incentive to empower local organizations because building successful local NGOs will work the U.S. organizations out of jobs.

InterAction: The interviewees presented their Africa Liaison Program Initiative report "Mutual Accountability in African Development Relationships" on year 2000 conferences held in Lagos and Nairobi. In a section titled, "Establishing an Enabling Environment for Mutual Accountability," the report notes,

“...Accountability cannot occur without establishing an enabling environment, achieved through effective systems and policies. At the same time, these systems must be based on a common set of shared values that must be present for accountability to work.” (p. 27)

6. Development Paradigm

“What does support to LOs contribute to development (economic, social, political)? In what context and under what circumstances are these contributions maximized? In what situations (if any) is such support inadvisable?”

Morocco examples: Supporting local organizations helps host governments implement decentralization plans. USAID/Morocco has had positive experiences in the health and education sectors:

- The central government now allocates budgets to locally elected representative councils which the council members are now allowed to decide how to use. In one prefecture, councils decided to use the funds to procure ambulances for the rural areas, based on an agreement with the communes that the latter would pay for maintenance and operational costs of the vehicles. (They decided on this use instead of adopting another proposal to procure high-tech hospital equipment for the provincial hospital, using their new decisional authorities to opt for improved access of the rural population to health care services.)
- Local Parent Teachers Associations (PTAs) created as a result of Morocco’s decentralization policy and supported by the operating unit’s education SO represent newly-empowered community associations which were allowed to decide on use of funds allocated from the center to improve school infrastructure and procure better-quality school supplies.

PPC/PDC: USAID should be moving away from a strict D/G focus on local governance to a more integrated, cross-cutting strategy of grassroots participation in all the relevant development sectors; for example, supporting strong neighborhood organizations. Recently approved strategies from the Philippines and Uganda reflect this cross-cutting approach.

Tim Mahoney: Empowered LOs provide a balance against the concentration of power in the center. Increasingly, more local governments are being elected and local NGOs are gaining from the shift of focus to LOs. The more community members are allowed to speak for themselves through their own chosen representatives, the more meaningful their participation in development objectives. Another reason for promoting LOs is that they risk being more inclusive of minority or marginalized groups. LO support enhances inclusion and representation.

The challenge for USAID is to get people thinking differently. For example, devising programs that link health and environment objectives and D/G and economic justice/governance. We have too rigid an approach at present.

AFR/DP: Experience demonstrates that bilateral programs that have increased their level of support to CSOs have seen a reduction in the “dependency syndrome” because empowered CSOs, including LOs, participate directly in and even control finances and development activities (i.e., increased ownership reduces aid dependency). Moreover, in Africa, governments have too often failed to provide even the most basic of services equitably to their populations. Empowered LOs can fill that gap.

E&E: Building a strong civil society is new to many of the countries served in E&E. There is no tradition of local initiative being encouraged or rewarded, so it takes time to build new values. Therefore, empowered communities capable of identifying their own problems, working in concert with LGs, networking with national-level bodies, can enhance economic activity, improve social services, and contribute to the grassroots level of democratic institutions.

SMGs: An appropriate balance between support to the central government with the various models of sub-national support is the key, and the situation differs from country to country. They stressed that a policy paper should provide flexibility to USAID decision-makers and not burden them with prescriptive requirements.

7. Bilateral Program Balance

“Given limited resources, how would you rate the priority of support to LOs vs. national organizations in a bilateral assistance program?”

All USAID respondents believed that the division of emphasis between national and local programs depends greatly on the country situation. If, for example, a government’s commitment to decentralization and local NGOs is more rhetorical than real, then the operating unit will want to take more of its program resources away from the national level in support of local empowerment. In some cases, support to the national level can help spur decision-makers in the “right” direction in terms of policies and programs (e.g., Morocco). In other cases, experience has shown that the national-level commitment to devolution and decentralization (e.g., Kenya and Zimbabwe) is so weak or non-existent that all the operating unit’s resources are directed outside of government channels to NGOs.

Morocco: In Morocco, analysts differ as to the extent of the government’s real commitment to decentralization. The Ministry of the Interior wants to implement decentralization in a meaningful way, but its staff fears—and does not know

how—to give up their traditional decision-making authority over provincial issues. In this case, the mission director has opted for a balance between empowering local government agencies and supporting civil society. Therefore, the Mission has designed a cross-cutting activity originally designed in the D/G SO with the objective of “making communities work.” U.S. NGOs already working in Morocco were initially reluctant to support this objective and work at the community level, but with prodding they have begun directly engaging in grassroots programs. The mission director indicated that a quarter of his operational year budget goes to local organizations.

The focus of support to LOs should be more on building problem-solving capacity than on advocacy, according to the mission director. He said that local government representatives tend not to trust private local organizations because the latter are more experienced and better organized (decentralization being a recent experience).

Tim Mahoney: It is really for the Missions to decide based on the specifics of their country situation, i.e., level of development and commitment of the host government to reforms supporting a flourishing civil society and empowered grassroots population. These are complicated and difficult programs to implement, but Missions should be in the driver’s seat to tell USAID/Washington how headquarters can support such efforts.

AFR/SD: It is not an “either/or” situation. When the enabling environment is inadequate or unwilling, it makes sense to place more emphasis on LOs but donors need to coordinate on ways to make the central government more committed.

AFR/DP: LOs give “more bang for the buck.” Civil society has many roles to play. Operating unit programs that place greater emphasis on civil society and LOs can show heightened results *vis-à-vis* programs that are largely focused on the national government.

E&E: Building advocacy in both national organizations and LOs is important for the E&E Bureau programs, but if it is not balanced by effective and empowered local government or local administration, people get apathetic and stop believing in the promises of democracy. E&E’s main focus, though, is on capacity building, both at the center and with national and local NGOs. The key is to balance support at both levels but also at both capacity building and in the advocacy role.

SMGs: Operating units need to strike a balance between policy support and service delivery. Some cautioned against USAID’s periodic “mood swings” when something becomes a fad and then the Agency tries to imbed it (e.g., the New Partnership Initiative). Directors have all the flexibility they need to run their programs, and that is the way it should be. If one structures or prescribes approaches that tie the hands of the operating units, they can become

ineffective. If an operating unit is told to cut off funds to the national government, it loses a seat at the policy dialogue table.

DCHA/DG: USAID should allow the international financial institutions to focus on aid to the center (national-government level) for policy reforms and the enabling environment, while bilaterals, including USAID, work more on civil society. Though USAID typically works on both, in some countries where the enabling environment is not improving or is very slow to improve, operating units have had a major impact with support to LOs (examples are Guinea and Mali).

EGAT/MD: It depends on the attitude of the government. Marty Hanratty's last overseas post was Zimbabwe, where USAID, in the face of deteriorating national governance and economic retrenchment, devised a new strategy that included identification of rural groups as a basic unit of development. This set the stage for USAID to move into local areas of support as the national environment continued (and continues) to deteriorate.

InterAction: A strong civil society support program should be a significant part of a USAID country program, but LOs should be carefully screened before donors decide to provide funds.

8. Sustainability

"What policies do you see as necessary to achieve sustainability?"

This topic elicited more varying responses. As noted earlier, many interviewees believed that USAID's policy on sustainability is inconsistent and contradicts existing policies. For example, one person noted that USAID insists on sustainability of indigenous NGOs but many U.S. PVOs are not really sustainable in that they receive most of their funds from donor agencies. Many of those interviewed also believed that USAID policy should more explicitly lay out guidance of longer-term support to indigenous NGOs (both national and sub-national) in a staged manner that brings them to sustainability. Others suggested that USAID *not* become too prescriptive in its guidance.

Morocco: The Near East Foundation has a program financed by USAID which assists communities in establishing operational development organizations with membership fees that finance the programs on which it decides.

Tim Mahoney: It is important for communities to attract new investment, but how do they do that? By working more closely with communities through LO support programs, USAID can help make communities more livable (improved schools and health facilities, for example) and attract new businesses. This injects more money into the local economy, creates more jobs, and, in general, reflects a healthy symbiosis between the public and private sectors.

AFR/SD: USAID *must* adopt a longer-term policy perspective to help make LOs sustainable. It should advocate an explicit policy of a phased approach, starting with capacity building, in which a high percentage of the LOs' needs are provided by USAID (or other donor support); the next phase is shared financial management in a partnership mode with a U.S. NGO; the final phase is a rising rate of assumption of financial responsibility by the LOs, (the mix depending on the rate of capacity achievement). The interviewees cited the Pact model in Ethiopia as an example of such a partnership.

E&E: LOs need a "diversity of income streams." Since the countries have access to multiple sources of funds, including endowments and foundations (e.g., Soros), the sustainability issue is less applicable to these countries. Thus, USAID stresses capacity building while sustainability is a longer-term goal.

SMGs: Many local NGOs are not sustainable. Rather than have a policy of "prescriptive relief" (ordering operating units to provide assistance to national and sub-national level NGOs only if they can be sustainable within a certain number of years), it makes more sense to provide guidance on how LOs can reach sustainability. USAID should encourage the use of available expertise in-country (where it exists) to train LOs and build their capacity and sustainability. In discussing the standards of accountability and sustainability the Agency requires of in-country NGOs, one participant felt this sent a prejudicial and contradictory policy message. She observed, "The barrier should not be higher for local NGOs (meaning all indigenous NGOs) than for U.S. or other international NGOs/PVOs." Many U.S. PVOs are not fully sustainable without strong USAID support, yet we do not call them unworthy of USAID support because they are not sustainable.

DCHA/DG: Any policy should be flexible. Economic-based LOs should aim at sustainability, but other kinds of LOs will have difficulty becoming totally self-sustainable, e.g., public-interest groups. Local governments can become self-sustaining with appropriate taxing authority, an enabling environment issue. Other types of CSOs can have membership fees and also identify other kinds of income-generating activities consistent with their purpose.

EGAT/MD: The area of micro-finance is well known and the necessary policies are documented: interest rates should not be set by the government but established by the competent organizations set up to manage them. This means not regulating the interest rate but assigning it as a function of repayment capacity. Another area to address is that of avoiding setting price controls but setting policies in such areas as tax benefits to encourage saving and lending and to reduce reserve requirements when local conditions require it.

TRG: Sometimes NGOs, including LOs, are created in response to a USAID demand and they exist simply as a function of that demand. If a LO becomes dependent on USAID, how can it become sustainable? This environment does not lend itself to creating sustainable NGOs or LOs. The issue is, how does one

create incentive for sustainability in LOs? USAID's work in countries with low resource bases also presents a challenge to the goal of sustainability. If resources are very limited, policies of local resource mobilization may not be very realistic. USAID should treat the sustainability issue realistically and provide support over a sufficient period of time to allow LOs to achieve some reasonable measure of self-support.

InterAction: USAID's policy of support should include a commitment with a duration that is long enough to help the organizations being helped to achieve sustainability. USAID should not limit its support to just a few years.

9. Impact of Local Organizations on:

Gender Equality

AFR/SD: Through support to LOs, USAID could do more to promote gender equality. For example, establishing local revolving funds for women's organizations (like "*tontines*"), other self-help and literacy projects and training.

AFR/DP: Women's agendas are critical to civil society growth, but men still occupy most of the civil society "space." (Sharon Pauling referred to the 2001 "Africa Voices" paper.) Women are in the forefront of most local health and credit issues. USAID civil society programs need to provide help to women to allow them to "raise their voices" and be heard. "Civil society benefits when women are targeted. If women benefit from a project or program, all society benefits." The same principle does not apply to programs in which all or mainly men are the beneficiaries.

E&E: Democracy requires full participation to be successful, in both public policy decision-making (citizen participation) as well as economic and social decisions. When women (or other minority groups) are powerless in society, the quality of democracy is diminished. Strong civil societies offer the "tools of empowerment" to women.

DCHA/DG: Programming has to be intentional; if it is not, gender equity will not be achieved. Any official or legislative biases at the national level will be magnified at the local level. Therefore, all LO support programs must include a gender-equity component. A Philippines example shows that women take more advantage of civil society opportunities than men. It has also been demonstrated that governments with more women representation have better social policies. Women typically have trouble, especially at the local level, entering into politics. (Kimberly Ludwig did studies showing this in Zambia and Uganda.) The context is important because of definitional distinctions among types of LOs. One example of gender promotion is gender quotas in elections which has been successful in getting more women into government. Gender issues are very complex, especially with respect to LOs.

EGAT/MD: The micro-finance sector has learned from broad experience and lessons learned that women tend to be better customers of MFIs because their repayment rate is higher than that of men; they represent, therefore, a lower risk. More women enter the micro-credit market as self-employed than do men (who more often are salaried employees), and women are more assiduous about paying on time.

Economic Growth and Poverty Reduction

Morocco: The Mission focuses on the “under-serviced” areas of Morocco where Islamic fundamentalism is the most likely to attract adherents who are enticed to violent solutions to bring themselves out of poverty. Many of these areas have high rates of unemployed youth who flee to urban centers looking for work. By creating employment opportunities, generally in the agricultural sector outside of the towns, the country’s main economic sector is being strengthened.

E&E: Democracies require economic improvements under the leadership of their elected officials. USAID’s civil society support can and should help focus governments on the key economic issues identified by communities in the aggregate. The group interviewed mentioned that USAID is pulling out of countries too early, citing examples of Romania, Croatia and Bulgaria, operating under “graduation” plans.

Tim Mahoney: A greater focus on support to LOs can help the Agency reinvigorate programs of support to rural economies, for which local organizations are essential. Support to LOs is important because it balances the tendency of poor economies to concentrate resources in a small number of people by creating more (and smaller, more local) centers of power in these societies. The strongest argument for the timeliness of renewed emphasis on local organizations is the high poverty levels in the Third World (ie., 65% in Honduras).

AFR/DP: The interviewees believe that the Agency has not provided enough guidance on linkages between support to CSOs and LOs and poverty reduction.

EGAT/MD: In Zimbabwe, the rural groups identified in the revised strategy became the distribution mechanisms for resource transfers instead of the government. The strategy established indicators as trigger mechanisms for these USAID resource transfers, such as declining police integrity, restrictions on free press and assembly, and rising household poverty rates. Recognizing that people have no choices in their lives at all if they have no incomes, the Mission identified support to these rural economic groups as the principal target for assistance. This kind of support has begun to make a difference as declining governance has had a negative impact on government services, input supplies, farmer incomes and rising poverty rates.

In very poor countries or regions, it is very difficult to establish rural banking systems because of the higher risk. The key is to learn how to manage the risk appropriately, so that through sub-national or national associations resources can be shifted from higher-income areas to these more vulnerable areas (as long as the risk is managed). Strategies of repayment can also be adjusted to meet the needs of poor households, such as repayment based on a percentage of actual household cash flows. Communities can be used to reduce risk collectively. Community-based organizations can provide information on agro-ecological and other crop conditions to the MFIs to enable them to properly manage the risk.

InterAction: LOs can help monitor public expenditures on poverty alleviation.

Democratization and Improved Governance (at both local and national levels)

USAID/Morocco expressed the importance of not excluding local branches of political parties because they are potentially significant loci of local associations expressing and reflecting local positions on political, developmental and social issues.

E&E: The Community Revitalization through Democratic Action programs in Serbia and Montenegro are working with inter-ethnic communities to help them learn how to work together, often for the first time, on the identification and resolution of commonly-identified problems. These efforts are in the early stages and the conflict is too recent to forecast the outcome; nevertheless, this is a strong start in this region. It is vital for local organizations to learn how to get past issues of conflict between or among their communities.

Conflict Prevention

Strong local organizations offering chances for economic growth and jobs can mitigate the tendency to resort to violence. In many parts of the world, (e.g., Morocco) the countryside is full of unemployed youth for whom fundamentalism offers potentially attractive outlets for their frustration. USAID/Morocco is working in urban and peri-urban areas to provide local alternative opportunities for youth.

AFR/SD: Most political conflicts arise over land issues, and most of these are local. We need to work with LOs on land resource issues.

E&E: The Community Revitalization through Democratic Action programs in Serbia and Montenegro are working with inter-ethnic communities to help them learn how to work together, often for the first time, on the identification and resolution of commonly identified problems. These efforts are in the early stages and the conflict is too recent to forecast the outcome; nevertheless, this is a

strong start in this region. It is vital for local organizations to learn how to get past issues of conflict between or among their communities.

DCHA/DG: Sharon Morris has completed an anti-conflict study based on social capital work in Macedonia and its impact on the potential for conflict among different types of LOs. This document would be useful should further study be required.

CRS: "Perhaps even more than civil society, peace-building relies on local processes and relationships. Local customs dictate how people and groups interact and therefore local organizations must take the lead in bringing about change. Therefore, the emphasis must be on supporting local groups, rather than importing Western training techniques. The implications are:

- Identify already existing local networks that can be catalysts of change. Justice and Peace Commissions that can be found in a significant number of dioceses⁵ around the world are groups that have legitimacy and influence in their communities and would be powerful agents of change.
- Rather than waiting for violent conflict to break out, all development projects should focus on increasing the interdependency and cooperation of diverse demographic groups.
- Promoting values of community oversight, negotiation and cooperation at all levels instills values of a democratic society. As groups learn to cooperate together to advocate for their interests on behalf of their children to influence the local school curricula, for example, they learn basic civic skills that can be then applied to the district, regional, national and eventually international levels. Therefore, supporting these processes within projects is supporting the building blocks of a democratic society."⁶

10. Linkages and Networks of Local Organizations

"What can you say about the impact of USAID's policy on relationships about local NGOs, local governments and local enterprises? Do you see a role for networks or consortia of LOs? Have you encountered examples of effective networking among LOs? To what extent have these linkages expanded into national or sub-national networks? What has been their value added?"

The level of interviews, both in terms of the people and their responsibilities and history, was insufficient to derive much detail on this question. It is also probably

⁵ Diocese is a local jurisdiction of the Catholic Church.

⁶ Communication from Meg Kinghorn, CRS, March 6, 2002.

less policy-driven. Most of the respondents endorse the concept of a balanced approach to development at the local level (among private and public entities) and agree to the importance of getting these groups to collaborate more closely in a common approach to problem identification and problem solving.

Morocco: The Mission is working on an approach which supports both local private organizations as well as the nascent locally elected councils so that each can play a meaningful and collaborative role in local development activities.

PVC cited the need for synergies between local PVOs and government agencies to increase impact. Synergies among LOs, LGs and other private sector agencies create greater social capital. These provide a critical mass “to get things moving.”

Tim Mahoney: In Honduras, a municipalities-support project pushed more resources to the local level through a combination of public and private sector institutions. The municipalities strengthening program produced new leaders among the country’s mayors as a group that can now challenge national leaders, wherein much of the country’s resources are concentrated. This became a valid end in itself. Moreover, we are finding increasing examples of local NGO leaders getting elected to LG positions.

AFR/DP: USAID policy should encourage much more interaction among LO groups and categories. The guidance behind the New Partnership Initiative (NPI) and the Global Development Alliance (GDA) talk these principles, but it is often interpreted as too statist.

AFR/SD: It is important for local organizations to be part of a national federation which provides leadership and guidance to the local level. One does not see these models in Africa and other parts of the developing world, *which means that USAID and other-donor policies need to renew and deepen the emphasis on appropriate policies.*

E&E: The interviewees stressed the importance of aggregating LOs into national networks, because LOs have “much to contribute to the national agenda.” They agreed that NGOs “grow out of the communities.” E&E is particularly interested in the interaction between LOs and local political parties, an area that is burgeoning in the region. Some NGOs metamorphose into parties over time. This is a gray area of support for USAID.

EGAT/MD: Networking is critical to the success of MFIs. Incomes are higher or much lower in different regions and at different times of the year, depending on the crops, and credit savings can be applied to areas of need in the lean season. Effective networks can spread the liquidity across the area and the finances are better managed regionally or nationwide and cash made available where it is

most needed. The networks can also serve to manage the lending standards across the region, which is critical to long-term success of the MFI efforts.

InterAction: The issue of networks is also the issue of roles and the focus of LOs. Should NGOs deliver services or advocate for better policies and government action? Competition among NGOs, LOs and LGs inhibits effective cross-cutting networking. The networking should have as its objectives accountable government, effective service delivery and advocacy.

11. Future Policy Directions

“If USAID wanted to encourage support to local organizations (public and private, non-profit and for-profit) in development, what kind(s) of policy message(s) would do so? For example, is it more important to know that the Administrator regards this as a priority, or that there are specific operational approaches, such as partnerships, or training before implementation, that have proven most useful?”

Most interviewees did not seem to have strong views on this, or rather, they offered a variety of ideas. In general, the responses were that for any USAID policy to matter, it has to be sponsored seriously from the top.

DCHA/PVC: The Administrator needs to set the tone and message.

PPC: The key is for the policy to provide instruction and guidance to operating units on the importance of LOs to promote positive outcomes of its development objectives. The Agency should decide what makes the most sense to do and work with operating units to see how best to support them in carrying out their objectives.

AFR/SD: The most important, tangible sign of support to a meaningful policy in support of LOs is to allocate sufficient resources in the budget process to implement the policy.

AFR/DP: The participants believed that a strong, clear message from the Administrator to emphasize the role of LOs and CSOs in their strategies and program development is needed and would be very important. Beyond this, the Agency has to get word to M/OP and especially field contracting officers to support such a policy and not be so restrictive in applying rigid capacity standards to indigenous NGOs that are no longer required Agency policy. They suggested two more measures: Amend the ADS guidance to make this clear and include this in training of contracts officers.

SMGs: The participants expressed strongly that operating units and other USAID offices function more smoothly if they are granted flexibility in applying policy

guidance rather than being subjected to new reporting requirements. Therefore, operational guidance is much more useful than dictates.

DCHA/DG: A new policy articulation should caution operating units to choose LOs very carefully. Many small CSOs can easily get overwhelmed by donor assistance and destroy them. In some cases, operating units should avoid direct assistance to LOs and instead work with national or sub-national umbrella groups that manage programs of assistance to the LOs. A regional example in West Africa was mentioned that includes nine countries and is very effective at marshalling support to indigenous NGOs in member countries that it is even able to assist them with fundraising. (It was not clear whether this was mainly national-level NGOs or if it includes LOs as well.)

InterAction: More focus on the “end users” is key. Any policy revision should look at the reporting requirements, which “don’t produce better development.” These interviewees, similar to those in D/G, observed that USAID too often chooses inappropriate LOs for assistance, meaning they are either incapable of performing the work USAID is assigning to them or they are inappropriately assigned to a particular task.

ANNEX A

List of People and Organizations Interviewed

[NOTE: An asterisk (*) indicates those individuals and organizations for which interviews could not be scheduled.]

1. USAID

DCHA/PVC

Peggy Meites
Martin Hewitt

DCHA/DG

Kimberly Ludwig
Gary Hansen
Edwin Connerly

PPC/PDC

John Grayzel*
Thomas Johnson

ANE

Richard Byess (ESA)
Delbert McCluskey (SPOTS/PMFA)
James Bednar, USAID/Morocco

E&E

Mark Levinson (DG/CSM)
Mary Ann Riegelman (DG/CSM)
Jennifer Stuart (DG/CSM)
Shane McCarthy (DG)

AFR

Sharon Pauling (DP)
Ruth Buckley (DP)
Curt Grimm (DP)
Dana Ott (SA)*
Robert Groelesma (SD)
Kevin Bohrer (SD)

LAC

Margaret Sarles (RSD-DHR)*
Roberto Figueredo (LAC/RSD)*

EGAT

Marty Hanratty (MD)
Kathy Blakeslee (WID)*

GLOBAL HEALTH

Karen Cavanaugh (HN) *
Bob Emrey (HN/PSR)*
Maria Busquets (POP/CMT)*

OTI

Angela Martin*
Kirk Day*
Jason Aplon*

OFDA

Marian Pratt*

Others

Linda Bernstein
Carol Carpenter-Yaman
Kim Finan
Peter Kimm
Tim Mahoney
Jon O'Rourke
Lee Ann Ross
Cynthia Rozell
Ken Schofield

2. Non-USAID Partners

World Bank*:

NGO Liaison Office: Jeff Thindwa
Regional Civil Society Specialists:

- LA: Roby Senderowitsch
- AFR: Paula Donnelly-Roarke
- Europe and Central Asia: Jan Pakulski
- Middle East: Shaha Riza

Human Resources Network: Stephen Commins
Social Funds: Steen Jorgenson

IADB*:

- Marco Ferroni, Office of Evaluation
- Christof Kuechemann, Head, Sustainable Development Section

Pact: Sarah Newhall*

InterAction: John Zarafonetis, Evariste Karangwa*

Catholic Relief Services: Meg Kinghorn

Training Resources Group: Graeme Frelick